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Malaysia

Grain and Feed

Annual

2003

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Report Highlights:

Except for wheat, Malaysian grain imports recorded declines in 2001/02. Working down stocks and the reduction in poultry population were the main contributing factors. The outlook for 2002/03 is brighter with forecast of increases in both corn and wheat imports. Given the short supply from Canada, the prospect for U.S. sales of wheat is extremely good.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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Table of Contents

Executive Summary 1

Corn 2

Wheat 6

Rice 11

Executive Summary

Malaysian grain imports declined in 2001/02 due to a drop in domestic consumption of corn in the poultry sector and the working down on stocks for all the three main grains corn, wheat and rice. An increase in domestic rice production in CY 2002 also influenced the drop in rice imports.

The outlook for 2002/03 is brighter. Even with the world teetering on waging a war on Iraq, Malaysia economy is poised for growth in 2002/03. An expected increase in the consumption of locally produced meat augurs well for the imports of corn. Imports of wheat are expected to show a stronger increase in 2002/03 in order to cater for the anticipated growth in domestic consumption. However, only a small increase in rice imports is expected reflecting the projected growth in domestic rice output.

The best prospect for U.S. grain sales is in the high protein wheat sector. In view of a much smaller exportable surplus from Canada, U.S. should be able to capture 16 percent of the Malaysian wheat market in 2002/03, the highest in the last 5 years. As for corn, U.S. continues to face stiff competition from China, that is unless the latter is willing to eliminate export subsidies under its WTO agreement. Historically, the U.S. has been an insignificant player in the Malaysian rice markets.

		Production	Imports	Exports	Domestic. Disappearance
			(In 1,000 MT)		
Corn	2001/02	68	2316	6	2393
	2002/03	70	2460	10	2510
	2003/04	72	2550	7	2610
Wheat	2001/02	0	1196	134	10 67
	2002/03	0	1260	140	1120
	2003/04	0	1320	150	1165
Rice	2001	1350	511	0	1906
	2002	1470	500	0	1950
	2003	1520	510	0	2010

Exchange rates: Pegged at US\$1.00 = RM3.799 since 1998.

Corn

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		10/2001		10/2002		10/2003
Area Harvested	22	0	23	23	0	24
Beginning Stocks	160	160	143	145	128	155
Production	68	68	70	70	0	72
TOTAL Mkt. Yr. Imports	2400	2316	2400	2460	0	2550
Oct-Sep Imports	2400	2316	2400	2460	0	2550
Oct-Sep Import U.S.	25	16	0	15	0	10
TOTAL SUPPLY	2628	2544	2613	2675	128	2777
TOTAL Mkt. Yr. Exports	0	6	0	10	0	7
Oct-Sep Exports	0	6	0	10	0	7
Feed Dom. Consumption	2385	2223	2385	2335	0	2430
TOTAL Dom. Consumption	2485	2393	2485	2510	0	2610
Ending Stocks	143	145	128	155	0	160
TOTAL DISTRIBUTION	2628	2544	2613	2675	0	2777

Production

Domestic corn production in Malaysia is insignificant.

Consumption

The Malaysian poultry sector experienced over-production in mid 2001/02, leading to a cutback in population during the latter half of the year. The situation has improved since December and a positive growth is expected in the current year (2002/03).

The pig sector performed well during 2001/02 with ex-farm price for live pigs hovering on the high end. Farmers were still interested to import breeding pigs. Although ex-farm prices suffered a momentary drop in the first quarter of 2002/03, farmers are optimistic of a recovery during the remaining part of the year. At this point, post expects domestic corn consumption to increase 4 to 5 percent in 2002/03.

Trade

After a hefty jump in the previous year, Malaysia's imports fell 11 percent to 2.3MMT in 2001/02. China continued to dominate the Malaysian corn market with a market share of 90 percent. Imports from the other major supplies (Argentina and Thailand) recorded significant declines. Despite China's entry to WTO, imports from the U.S. only amounted to 16TMT.

In line with the expected increased in feed consumption, post expects Malaysia's imports to rise in 2002/03. Barring any crop disaster, China's domination of the Malaysian corn market is secure. Unless China is brought to adhere to its WTO commitment to eliminate export subsidies, post does not see any significant U.S. corn shipment to this country.

Corn Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Corn		
Time period	Oct01/Sep02 for2002, Oct02/Sep03 - Not Available	Units:	1000MT
Imports for:	2001		2002
U.S.	16	U.S.	
Others		Others	
China	2095		
Argentina	101		
Thailand	71		
Burma	21		
Indonesia	7		
Singapore	3		
Total for Others	2298		0
Others not Listed	2		
Grand Total	2316		0

Stocks

With most supplies coming from nearby China and Thailand, stock level was estimated at about three weeks at the end 2001/02.

Policy

Production Policy

The GOM has no definite plans to develop a viable domestic field corn industry. Domestic corn production is unlikely to expand significantly in the foreseeable future.

Market Development opportunities

A significant increase in corn consumption in Malaysia will largely depend on a robust pig industry. As the farmers and governmental officials have to develop a modern, integrated pig farm system, there are opportunities to link resources in the U.S. to assist in the following areas:

- a. the use of good-quality US swine breeds/semen;
- b. improvement of nutrition for swine; and
- c. transfer of technical knowledge on swine management, swine housing, waste treatment and slaughter plants.

The National Swine Registry conducted two training courses on artificial insemination and breeding management in the States of Penang and Perak in 2002. These courses were well received and post would like to see these programs be conducted in other selected locations throughout the country. Buying missions to the U.S. should also be considered in face of growing competition from the European counterparts.

Wheat

(in 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Wheat				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		07/2001		07/2002		07/2003
Area Harvested	0	0	0	0	0	0
Beginning Stocks	150	150	150	145	150	145
Production	0	0	0	0	0	0
TOTAL Mkt. Yr. Imports	1300	1196	1350	1260	0	1320
Jul-Jun Imports	1300	1196	1350	1405	0	1320
Jul-Jun Import U.S.	0	145	0	200	0	170
TOTAL SUPPLY	1450	1346	1500	1405	150	1465
TOTAL Mkt. Yr. Exports	155	134	150	140	0	150
Jul-Jun Exports	155	134	150	140	0	150
Feed Dom. Consumption	50	0	50	10	0	30
TOTAL Dom. Consumption	1145	1067	1200	1120	0	1165
Ending Stocks	150	145	150	145	0	150
TOTAL DISTRIBUTION	1450	1346	1500	1405	0	1465

Production

Wheat is not produced in Malaysia.

Consumption

Domestic consumption of wheat was marginally down in 2001/02. The drop in biscuit exports offset the slight increase in household consumption. Noodle exports were at about the same level with major markets being the EU, Australia and the ASEAN nations.

In spite of the uncertainty caused by the possibility of a war in Iraq, the Malaysia economy is poised to experience growth in 2002/03. The current upswing in palm oil and petroleum price augured well for Malaysia. In addition, the GOM abolished a 5 percent sales tax on six common types of noodles. Post expects 5-6 % growth in wheat consumption for the next two years

Domestic wheat prices are controlled by the Malaysian Government under the Supplies Regulation Act (1974). The retail flour price remained at RM1.20 (US\$0.32) per kilo since 1997.

Trade

Imports of Australia wheat suffered a 26% drop in 2001/02 reflecting the sharp weather-induced decline in wheat production. Almost all the losses in Australian soft wheat imports were substituted by imports of Indian and China wheat. U.S. managed to capture 12% of the Malaysian imports market in 2001/02.

The outlook for total wheat imports is bright and Post expects total imports to reach 1.26 MMT in 2002/03. With an expected smaller wheat supply from Canada, we estimate U.S. wheat exports to Malaysia to increase to about 200 TMT or 16 percent of the Malaysian wheat import market. As for soft wheat, Malaysian millers are turning increasingly to India, Ukraine and Kazakhstan.

Wheat Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time period	Jul01/Jun02 for 2001, Jul02/Sep02 for 2002	Units:	1000MT
Imports for:	2001		2002
U.S.	145	U.S.	62
Others		Others	
Australia	610	Australia	183
Canada	218	India	41
India	179	Canada	37
China	35		
Pakistan	9		
Total for Others	1051		261
Others not Listed			
Grand Total	1196		323

Wheat Exports

Export Trade Matrix			
Country	Malaysia		
Commodity	Wheat		
Time period	Jul01/Jun02 for 2001, Jul02/Sep02 for 2002	Units:	1000MT
Exports for:	2001		2002
U.S.	1	U.S.	
Others		Others	
Thailand	47	Thailand	11
Indonesia	44	Singapore	9
Singapore	37	Indonesia	9
Brunei	4	Brunei	1
Total for Others	132		30
Others not Listed	1		
Grand Total	134		30

Marketing

Market Development Opportunities

GIPSA's program of sending an officer to the ASEAN region for a three-month stint during mid-2002 and again in earlier 2003 is in the right direction. Millers/Importers welcome the opportunity to iron out various dissatisfactions over qualitative issues. In addition, GIPSA should have a good opportunity to do outreach work.

For the current year, U.S. has the advantage of a shortage of Canadian wheat. In normal times, U.S. wheat is less price competitive. It is crucial that importers should be encouraged to purchase split cargo with U.S. soybean/corn in order to reduce cost of importation.

On-going activities such as regional buyers conventions and training trips to the U.S., conducted by USWA, are well-received by the local millers/purchasers.

Rice

(In 1000 Hectares and 1000 MT)

PSD Table						
Country	Malaysia					
Commodity	Rice, Milled				(1000 HA)(1000 MT)	
	Revised	2001	Preliminary	2002	Forecast	2003
	Old	New	Old	New	Old	New
Market Year Begin		01/2001		01/2002		01/2003
Area Harvested	672	643	673	660	0	675
Beginning Stocks	485	485	588	440	658	460
Milled Production	1480	1350	1490	1470	0	1520
Rough Production	2277	2075	2292	2260	0	2340
MILLING RATE (.9999)	6500	6506	6500	6504	0	6496
TOTAL Imports	633	511	600	500	0	510
Jan-Dec Imports	600	500	600	510	0	550
Jan-Dec Import U.S.	0	1	0	1	0	1
TOTAL SUPPLY	2598	2346	2678	2410	658	2490
TOTAL Exports	0	0	0	0	0	0
Jan-Dec Exports	0	0	0	0	0	0
TOTAL Dom. Consumption	2010	1906	2020	1950	0	2010
Ending Stocks	588	440	658	460	0	480
TOTAL DISTRIBUTION	2598	2346	2678	2410	0	2490

Production

Preliminary estimates indicate a 9 percent increase in milled rice production to 1.47 MMT in 2002 when compared to 2001's output. In spite of a decline in harvested area, fair weather conditions resulted in an improvement in padi yields.

The outlook for 2003 is bright. The farmers are enjoying a bumper harvest during this current season. Post expects harvested area to expand to 675,000 hectares and rice output to surpass 1.5 MMT in 2003.

Consumption

Domestic consumption increased by 2.6 % to 2.0 MMT in 2002. This amount excludes unofficial rice imports from neighboring Thailand. According to a recent press report, the amount could be as high as 120 TMT in 2002.

Rice retail prices remain unchanged since 1993. The ceiling price structure is as follows (in RM per kg):

Zone	Standard Grade	Premium	Super
A) Kedah, Kelantan, Perlis, Seberang, Krian K. Selangor & S. Bernam	0.98	0.01	1.65
B) Trengganu, Penang & Perak	0.99	1.06	1.70
C) Federal Territory & Selangor	1.01	1.07	1.75
D) N. Sembilan & Malacca	1.03	1.09	1.75
E) Johor, Gua Musang & Pahang	1.04	1.11	1.80

The support prices for padi rice also remained at RM55.00 per 100 kg for long grain and RM51.69 per 100 kg for medium grain since December 1997. In addition, all rice farmers receive a subsidy of RM25 per 100 kg of padi delivered to a licensed mill or drying facility.

Trade

With a modest increase in domestic rice output, Malaysia's rice imports declined 2 percent to about 500 TMT in 2002. Thailand and Vietnam were the top suppliers followed by Pakistan, Australia and China. India made some big inroads into the market in 2002. Rice sales from U.S. amounted to only 1 TMT.

Since the rice output is expected to increase by 3 percent in 2003, rice imports are expected to show a very small growth in order to rebuild stocks.

Rice Imports

Import Trade Matrix			
Country	Malaysia		
Commodity	Rice, Milled		
Time period	Jan-Dec for CY01 and Jan-Sep for CY02	Units:	1000MT
Imports for:	2001		2002
U.S.	1	U.S.	1
Others		Others	
Thailand	254	Thailand	211
Vietnam	132	Vietnam	64
China	38	Pakistan	34
Australia	35	China	21
Pakistan	35	India	19
Burma	7	Australia	16
India	6	Burma	8
Cambodia	2		
Indonesia	1		
Total for Others	510		373
Others not Listed			
Grand Total	511		374

Policy

Production Policy

Considered a 'security' item, the GOM targets 70 % self-sufficiency in rice production. In order to prepare the sector to meet the challenges arising from globalization and the implementation of AFTA in 2005, the Agriculture Ministry is adopting a strategy to change the farmers' mind-set to adapt to the impact of direct foreign competition caused by trade liberalization. So far, it has proved to be a arduous task.

Marketing

Rice imports from the United States are mainly Calrose rice consumed by Japanese and Korean expatriates. Contributing factors to the U.S. absence from the market include lower prices from neighboring suppliers; the desire to enhance regional relationships and cheaper freight & shorter shipping times for competitors' rice. While the opportunities for sales of U.S. rice in Malaysia are still very limited, the absence of a price ceiling on imported high grade rice and the incorporation of LPN, the Malaysian Rice Authority, may help to create a small niche market for imports of branded, packaged rice, especially for the small organic food sector from the United States.